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**AFFIRMATIVE ACTION AS AN
EFFECTIVE LABOUR MARKET
PLANNING TOOL OF THE 1980s**
Rhys D. Phillips
July 1981

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TECHNICAL STUDIES SERIES**



Technical Study 29
AFFIRMATIVE ACTION AS AN
EFFECTIVE LABOUR MARKET
PLANNING TOOL OF THE 1980s

Rhys D. Phillips

July 1981



This is one in a series of technical studies prepared for the Task Force on Labour Market Development. The opinions expressed are those of the author and do not necessarily reflect those of the Task Force. They do not reflect the views of the Government of Canada.

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ABSTRACT

AFFIRMATIVE ACTION AS AN EFFECTIVE LABOUR MARKET PLANNING TOOL OF THE 1980S

D. Rhys Phillips

This paper examines affirmative action as an effective labour market planning tool for dealing with the problem of employment discrimination. To provide a conceptual framework it starts with a comprehensive definition of the problem, defines an effective response in terms of affirmative action, describes the labour market environment on which the response will impact and summarizes the implications for the labour market. Canadian experiences with affirmative action initiatives to date are also reviewed. Based on this analysis, the basic components of a labour market policy designed to influence demand for target-group workers are examined.

Based on a "bottom line" impact on three socioeconomic variables -- unemployment, job status and incomes -- the paper outlines the movement from an intention-based understanding of employment discrimination to one that considered the apparently impartial application of employment systems that adversely affected certain groups. This "systemic descrimination" is defined as an employment system that disproportionately excludes women and minorities based on standards unrelated to job performance or the safe operation of business.

Affirmative action is then outlined as a comprehensive planning and implementation cycle in line with standard corporate problem-solving and planning approaches.

Affirmative action, it is argued, will be implemented in an environment characterized by the following crucial trends:

- a steady decline in the labour force growth rate which will impact directly on potential maximum levels of economic growth;
- marginal growth in productivity during the first half of the decade, limiting potential growth and compounding problems created by increasingly competitive foreign products;
- limited federal government resources during a time of economic restructuring;
- increasing pressure for greater labour market equity followed by tougher, more expensive enforcement of human rights legislation;
- all the above will result in a strong trend towards more and improved human resource planning by individual employers.

The impact of affirmative action on these factors is viewed as strongly positive. The fact that 70-80 per cent of new labour force entrants will be from the three target groups -- women, Native peoples and the disabled -- means that affirmative action will be a means to ensure an adequate supply of workers for all jobs. By facilitating the entry of target groups to the labour market, affirmative action may increase the limits to economic growth created by declining growth in the labour force. In terms of productivity, it is argued that target groups are a potential source of highly skilled new workers. Affirmative action will impact favourably on government costs by improving the employability of many receiving transfer payments and will transfer part of the "ownership of the problem" to private sector employers. In terms of increased human rights enforcement affirmative action offers a structured problem-solving approach to

determining legal risk and making necessary changes. Finally, affirmative action is a standard problem-solving approach and can thus be easily integrated into emerging human resource planning systems.

The paper also examines the impact of affirmative action on three other important labour market considerations: supply parameters, business costs and collective bargaining/industrial relations.

Three components of labour market policy, designed to increase and improve the implementation of affirmative action are identified: corrective actions, policy instruments and incentive packages.

Corrective actions encompass those measures required if the government is to successfully market affirmative action. These relate first to continuing a technical, advisory and promotional function vis-à-vis private sector employers and second, to removing problems associated with the delivery of such a program. The latter include the lack of data, the potential impact of the Access to Information Act and the Privacy Act and the requirement for designated referrals from Canada Employment Centres (CEC) as well as steps to improve the supply of such referrals with the requisite skills.

It is recommended that, in terms of technical consultation and promotion vis-à-vis private sector employers, full staffing be completed. Provision for affirmative action planning should be an integral and non-negotiable element of new agreements, and a strong, technically trained staff would have direct responsibility

for delivery to participating employers. Clarification of CEIC's mandate is also recommended to avoid duplication.

It is also recommended that the Commission develop a comprehensive data base on persons with physical disabilities and to improve labour market information on Native People.

The efficient implementation of affirmative action plans will require CEIC to ensure designated referrals and an increasing supply of target-group workers with requisite skills. This will involve:

- 1) Recruitment of designated group members for training, counselling and referral;
- 2) Delivery of appropriate training, counselling and preparatory services; and,
- 3) Referral of clients to employers with bona fide affirmative action plans.

Policy instruments include two compliance-based initiatives, one with a legislative base, the other a policy base. A legislative base would involve changing federal labour standards to require federal companies to implement affirmative action and introducing statutory contract provisions requiring appropriate clauses in specified contracts. Policy initiatives include: manpower planning agreements, oil pricing agreements, off-shore recruitment of workers, and any new initiatives to provide development or adjustment grants to private sector companies.

The incentive packages examined are: 1) targetted training funds 2) Manpower Consultative Service agreements and 3) Affirmative Action agreements. The paper also warns that there are severe limitations on the potential impact of incentives.

SOMMAIRE

L'ACTION POSITIVE: UN INSTRUMENT EFFICACE DE PLANIFICATION DU MARCHÉ DU TRAVAIL DANS LES ANNÉES 1980

D. Rhys Phillips

L'étude examine l'action positive sous l'angle de son utilisation efficace, c'est-à-dire comme outil de planification du marché du travail permettant de s'en prendre au problème de la discrimination en matière d'emploi. En traçant le cadre conceptuel, l'étude s'ouvre sur une définition globale du problème, explique ce que serait la solution efficace en termes d'action positive, décrit le milieu du marché du travail sur lequel cette solution aura des effets et résume les répercussions pour le marché du travail. L'étude fait aussi le point sur l'expérience de l'action positive au Canada. A partir de cette analyse, on fait l'examen des composantes de base des politiques du marché du travail qui visent à influencer sur la demande de travailleurs appartenant aux groupes cibles.

En se fondant sur les répercussions à la base de trois variables socio-économiques, c'est-à-dire le chômage, le type d'emploi et les revenus, l'étude expose comment on passe d'une reconnaissance bien intentionnée de la discrimination en matière d'emploi à une compréhension éclairée des "systèmes d'emploi" apparemment impartiaux, mais qui nuisent à certains groupes. Cette "discrimination systémique" est définie comme étant celle d'un système d'emploi qui exclut en nombre disproportionné les femmes et les membres des groupes minoritaires en se basant sur des critères qui n'ont pas trait au rendement au travail ou à la bonne conduite des affaires.

On explique ensuite que l'action positive est un cycle global de planification et de mise en oeuvre s'intégrant aux techniques habituelles de solution des problèmes et de planification des entreprises.

On soutient que l'action positive sera mise en oeuvre dans un milieu caractérisé par les tendances cruciales suivantes:

- une diminution constante du taux de croissance de la population active qui aura un effet direct sur les niveaux potentiels maximums de croissance économique;
- une croissance marginale de la productivité pendant la première moitié de la décennie, ce qui limitera les possibilités de croissance et compliquera les problèmes suscités par les biens étrangers de plus en plus concurrentiels;
- des ressources fédérales limitées à une époque de restructuration économique;
- des pressions accrues pour une plus grande équité sur le marché du travail dont découlera une application plus rigoureuse, et aussi plus coûteuse, de la législation régissant les droits de la personne;
- tous les facteurs précités constitueront les éléments d'une forte tendance vers une planification bien meilleure et plus étendue des ressources humaines chez les employeurs.

Les effets de l'action positive sur ces facteurs sont envisagées comme étant très positifs. Le fait que 70 à 80 % des nouveaux arrivants sur le marché du travail appartiennent aux trois groupes cibles que sont les femmes, les autochtones et les personnes handicapées, signifie que l'action positive sera un moyen efficace de garantir une offre adéquate de travailleurs pour tous les emplois. En facilitant l'arrivée de ces groupes cibles sur le marché du travail, l'action positive favorisera la croissance économique qui est, en principe, ralentie en raison d'une baisse de la croissance de la population active. En termes de productivité, on soutient que les groupes cibles sont une source potentielle de nouveaux travailleurs hautement spécialisés. L'action positive aura un effet favorable sur

les coûts du gouvernement en améliorant l'employabilité de nombreuses personnes qui reçoivent des paiements de transfert et passera aux employeurs du secteur privé une partie de la responsabilité en vue de solutionner le problème. Pour ce qui est d'une application plus rigoureuse des principes des droits de la personne, l'action positive offre une méthode structurée de règlement des problèmes qui permet d'établir le risque juridique et d'apporter les modifications nécessaires. En dernier lieu, l'action positive est aussi une méthode normative de solution des problèmes qui peut facilement être intégrée aux systèmes de planification des ressources humaines qui s'annoncent.

L'étude examine aussi l'effet de l'action positive sur trois autres aspects importants du marché du travail, soit les paramètres de l'offre, les coûts pour les entreprises et les relations de travail combinées au processus de négociation collective.

Trois composantes de la politique du marché du travail conçues en vue d'accroître et d'améliorer la mise en oeuvre de l'action positive sont proposées: des mesures correctrices, des mesures d'ordre législatif et politique et des mécanismes d'incitations.

Les mesures correctrices comprennent les mesures nécessaires pour que le gouvernement fasse connaître l'action positive avec succès. Elles visent tout d'abord l'aide technique, les conseils et la publicité auprès des employeurs du secteur privé, et deuxièmement l'élimination des problèmes liés à la prestation d'un programme du genre. Au nombre des problèmes, mentionnons le manque de données, les effets éventuels de la Loi sur l'accès à l'information et de la Loi sur la protection de la vie privée, ainsi que l'exigence qui

sera faite aux Centres d'emploi du Canada (CEC) de faire des présentations de membres désignés, plus les mesures visant à grossir le nombre de travailleurs compétents par l'entremise de ces présentations.

On recommande qu'un personnel complet soit disponible pour ce qui est de l'aide technique, des conseils, et de la publicité auprès des employeurs du secteur privé. Des dispositions touchant la planification en matière d'action positive devraient être une partie intégrante et non négociable des nouvelles conventions. Un personnel bien formé aurait la responsabilité directe de la prestation du programme chez les employeurs participants. On recommande aussi que le mandat de la CEIC à cet égard soit clarifié pour éviter les doubles emplois.

De plus, il est recommandé que la Commission mette au point une base de données complètes sur les personnes souffrant d'un handicap physique et améliore son système de renseignements sur le marché du travail pour ce qui est des autochtones.

La mise en oeuvre efficace des programmes d'action positive exigera de la CEIC qu'elle fasse des présentations de membres désignés et fournisse aux employeurs de plus en plus de travailleurs qui ont les compétences recherchées. Il s'agira donc:

- 1) de recruter les membres des groupes désignés en vue de la formation, du counselling et de la présentation;
- 2) de la prestation de services appropriés de formation, de counselling et de formation préparatoire à l'emploi; et

- 3) de la présentation des clients aux employeurs qui ont de véritables plans d'action positive.

Les mesures d'ordre législatif et politique comprennent deux mesures ayant trait au respect de l'action positive. La question législative comprendrait une modification du Code canadien du travail, afin d'exiger des sociétés fédérales qu'elles mettent en oeuvre des programmes d'action positive et l'adoption de dispositions touchant l'obligation contractuelle dans des contrats spécifiques. Les initiatives en matière de politique comprennent: les accords de planification de la main-d'oeuvre, les accords de fixation des prix du pétrole, le recrutement à l'étranger de travailleurs et toutes nouvelles mesures grâce auxquelles les entreprises du secteur privé se verraient offrir des subventions de développement ou d'adaptation.

Les mécanismes d'incitations étudiés comprennent:
1) des fonds de formation axés sur des groupes précis; 2) les accords du Service consultatif de la main-d'oeuvre; et 3) les accords d'action positive. L'étude prévient aussi le lecteur qu'il existe de sérieuses restrictions quant à l'effet éventuel de ces stimulants.

AFFIRMATIVE ACTION AS AN EFFECTIVE LABOUR
MARKET PLANNING TOOL OF THE 1980s

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INTRODUCTION

The intent of this paper is to examine Affirmative Action as an effective labour market planning tool for resolving one of the most difficult employment-related problems of the 1980s and beyond. It begins by stating the primary objectives associated with the affirmative action planning process and the secondary or fallout objectives which cannot be divorced from the impact of implementing the process. The implications of these objectives are that Affirmative Action is an appropriate response to what is both a major political demand and a highly significant economic structural need.

Affirmative Action is a relatively new approach in Canada but it represents the culmination of a long evolutionary development in the understanding of employment discrimination and what constitutes a successful remedy. What will become clear is that Affirmative Action represents an awareness that change must be situated clearly within the standard parameters of corporate planning and problem solving.

Because Affirmative Action has involved a movement from a strictly human relations to an employment planning approach, it is necessary to establish its implications vis-a-vis the economic environment in which it is implemented. From this analysis, it is possible to establish how it may have an impact on improving the operation of labour markets. This paper, therefore, will establish the major relevant variables in the economic environment and outline the potential effects of Affirmative Action. In addition, it will suggest what impact can be expected on supply parameters, business costs and collective bargaining. This will be followed by a review of experience with Affirmative Action initiatives to date in Canada.

The remaining sections of the paper will examine how an effective tool for influencing demand can be created by integrating Affirmative Action into labour market policy. Three approaches are recommended:

- (1) corrective actions required by the government in order to ensure delivery of existing mandate;
- (2) policy instruments designed to increase the number of private sector initiatives; and
- (3) incentive packages intended to increase voluntary initiatives and to assist some employers requiring financial aid.

The conclusion establishes a framework for facilitating this intervention in the labour market.

AFFIRMATIVE ACTION OBJECTIVES

In its broadest sense, Affirmative Action is a comprehensive planning process designed to ensure not only an equality of opportunity but also an equality of results. Its primary objective is to ensure the Canadian workforce is an accurate reflection of the composition of the Canadian population given the availability of required skills. This objective, therefore, is essentially an ethical goal based on the value of ensuring equity.

But like many such values, there is a secondary objective tied to its realization and this objective has an additional positive impact on society. (It may be defined as facilitating the smooth and rational operation of the labour market and ensuring the maximum efficiency of individual company labour forces.) Perhaps most important, by ensuring the improved access of a large group of Canadians to employment or better jobs, there is a substantial impact

on reducing social cost. For example, the cost to maintain on assistance one Native family over the lifetime of its members runs into the millions of dollars. And this does not include the extra social costs associated with low incomes. In addition, the opportunity costs associated with the under utilization of women and the low utilization of Native people and the physically disabled also represents an enormous economics cost in terms of lost production and unused human capital.

This general concern with public cost can be reflected in more specific objectives related to changes in existing labour markets. Whether they represent a hiatus with past patterns or an evolutionary development, any attempt to influence supply and demand to reflect the needs generated by these changes may have a beneficial impact.

Thus, Affirmative Action may be seen as having a number of secondary "fallout" results. Some important examples include:

1. overcoming emerging labour market shortages by ensuring a more accurate identification of valid requirements and by stimulating the development of programs designed to facilitate occupational mobility;
2. improving labour productivity by
 - (a) more accurately identifying "human capital";
 - (b) facilitating the movement to higher productivity jobs; and
 - (c) improving the utilization of existing labour resources;

4. encouraging the improvement of overall employment planning in the private and public sectors.

It is the fact that this secondary objective can be realized as an integral part of Affirmative Action that makes this approach so attractive.

DEFINING THE PROBLEM

The central thesis of this paper is that the Affirmative Action Planning Process is a technically sophisticated approach to the problem of employment discrimination. While ethical objections to overt discrimination have long been accepted, experts in the field have now developed both a clearer awareness of the socio-economic facts requiring change and a more in-depth understanding of employment discrimination.

Employment discrimination has for some time been viewed as unacceptable on ethical grounds. Legislation has been enacted which prohibits employers from consciously denying employment or employment-related benefits because of sex or minority status. But in the process of monitoring these initiatives it became necessary to define clearly what socio-economic "facts" needed to change. In the early 1960s, professionals in the field identified three core economic facts which indicated how employment discrimination contributed to major inequalities in income and status in Canadian society. Women and minorities, it was found, generally experienced higher unemployment rates, lower occupational status and consequently lower income levels relative to other workers.

By defining so clearly the economic "bottom line" impact of employment discrimination which had to be changed, the adequacy of our understanding of the nature of this discrimination and our subsequent ability to change its effects could be determined. It soon became evident that the concentration on changing discriminatory attitudes and ensuring equal treatment had only a marginal impact on the unequal returns to certain labour market participants.

This failure to have the desired results, led to a significant rethinking in the understanding of the term "discrimination". Initially discrimination was seen as an overt, isolated act motivated by ill-will or prejudice. This way of conceptualizing discrimination focussed on bigotry and hence intent as the problem and changing of attitudes as the solution. In time, it became evident that these apparently isolated acts often signalled a pattern of discrimination throughout whole systems. Women and men, minorities and non-minorities were being treated differently. Although often less blatant, there still was an attempt to deal with them on a case-by-case basis as a result of individual complaints.

After more detailed investigation and research, it became clear that employment discrimination was a far more complex and pervasive phenomenon than was previously understood.* Experts in employment discrimination began to see that some employment practices, while equal in intent and equal in application, had a disparate effect on minorities and women. For example, some recruitment

*See for example, Peter C. Robertson's "Some Thoughts About Affirmative Action in Canada in the 1980s," prepared for the Affirmative Action Division of CEIC in March, 1980. Mr. Robertson is the past Director of Policy Implementation for the Equal Opportunity Employment Commission (EOEC) in the United States.

practices were totally unrelated to the job in question; that is, they did not necessarily predict the ability of the employee to do the job, and they could not be justified by business necessity. "Systemic Discrimination", therefore, can be defined as an employment system which operates to disproportionately exclude women and/or minorities based on standards unrelated to job performance or the safe operation of the employer's business, i.e., it is not a "business necessity." It is not the result of an employer's prejudice. It may be the result of the perpetuation of past discrimination through seemingly neutral employment practices or it may simply be the result of the use of an inappropriate standard.* Business necessity also does not mean business convenience. It means there is no alternative which would accomplish the business purpose equally well with a lesser exclusionary impact.

In summary, when determining if a practice results in employment discrimination, it is necessary to audit for results (rather than intent) and, if adverse impact is present, to evaluate whether or not the practice is a business necessity and whether or not there is an alternative.

DEFINING AN EFFECTIVE RESPONSE

The relating of employment discrimination to measurable economic inequalities provides a strong measure of how successfully a particular response works. It has been indicated above that the human relations approach had only

*In the first instance, past discrimination causes a neutral practice to have an adverse impact. For example, a word of mouth recruitment system in a company which has excluded women and minorities in the past will result in few applicants from the target groups because workers tend to recruit new workers of the same sex and race.

limited impact and this impact only improved marginally when mandatory equal treatment was legislated. Affirmative Action, therefore, was developed as a response to the failure or limited success of the individual remedy approach. On the one hand, it incorporates no basic assumptions of intent; it does not set out to show how the employer has acted in bad faith. On the other hand, Affirmative Action requires looking beyond equal treatment at the equality of the effects of various systems. Changes in these systems, therefore, are no longer seen as special or good faith gestures but as necessary both for equity and for ensuring the rational operation of the labour market.

Affirmative Action is a comprehensive planning and implementation cycle undertaken by employers. It involves a number of necessary discrete steps. The Affirmative Action planning process:

1. requires, like all goals or objectives based planning in a corporation, a clear definitive statement of executive support, the appointment of accountable senior management, the establishment of an implementation structure, the assignment of appropriate resources and the development of a suitable labour/management consultative process;
2. requires the carrying out of an employee workforce audit and an employment systems audit to determine the existing workforce array, systems impact and the validity of those systems found to have an adverse impact on women and minorities;
3. requires the design and implementation of an Affirmative Action Plan containing a number of necessary components which are called:
 - (a) alternative, neutral employment systems,
 - (b) special measures including both remedial and support measures,
 - (c) quantifiable goals with an appropriate monitoring and assessment system.

The first essential element of an Affirmative Action Plan, is to develop "neutral" employment practices and therefore eliminate any practices which unnecessarily exclude women and minorities. This step also ensures that practices composing the various systems of employment planning are fully rational given the specific requirements of the employer.

Special measures, the second essential element, assist in speeding up the corrective process begun by the equal opportunity practices. There are two types of measures. Remedial measures provide specific, preferential benefits to a designated group. These measures, of specific duration, usually require prior Human Rights approval. These include, for example, management training for women and special recruitment programs. They recognize the need to undertake special efforts to redress the consequences of past discrimination. Support measures are directed at alleviating employment problems affecting a particular group although other groups are not excluded from sharing in the benefits. Examples include day care and career counselling.

The final essential element is goals and timetables supported by a monitoring system designed to provide information required for standard, ongoing corporate management for evaluation and adjustment purposes. Goals are not quotas, rather they permit management to track changes statistically and make adjustments when necessary. They must be based on a realistic assessment of job vacancies and the availability of qualified target group members. In addition, goals must be flexible and have short, intermediate and long-term foci.

The approach outlined above involves applying basic principles of corporate planning and problem solving to an outcome now recognized as a problem related to the organization's employment relations system. Affirmative Action integrates the response into normal management priorities and facilitates a cooperative labour/management approach. It does not represent a threat to corporate efficiency precisely because it relies on a basic objective of strengthening rather than replacing the merit principle of human resource management.

In terms of socio-economic impact, the Affirmative Action process takes us beyond the limitations of the individual approach and permits us to deal with the problem of the systemic exclusion of women and minorities from full participation in the Canadian labour market. In this regards, the importance of Affirmative Action has been recognized by many of the provisions contained in legislation and by recent changes or proposed changes in a number of jurisdictions.

THE CANADIAN LABOUR MARKET ENVIRONMENT OVER THE NEXT DECADE

In the previous sections, the nature of employment discrimination and Affirmative Action as a suitable remedy were outlined. While both the conception of the problem and the appropriateness of the remedy remain applicable in Canada, it is important to examine the specific environment in which Affirmative Action will be introduced. During the 1980s, certain trends will continue and new characteristics will emerge vis-a-vis the labour market.

The following section briefly highlights some of the most important variables. These include slower labour force growth, productivity imperatives, restraints on public sector resources, tougher enforcement of human rights legislation, more public pressure for labour market equity and an increased profile for private sector human resource planning.

Labour Market Growth

A marked decline in the growth of the Canadian labour force will take place during the next decade. From 3.0% per year in 1975-79, labour force growth will decline to 2.0% per year in 1980-84 and 1.75% per year in 1985-89. The impact of this will be significant because the growth in the labour force, along with productivity growth determines the potential growth in the economy.* Thus the level of growth which the economy can sustain will be affected by this decline. But the composition of this slower growth will also change because of different trends associated with the various designated groups.

Projected trends indicate that while 48.9% of women were in the Canadian labour market in 1979, by 1990 that rate will reach over 60%. Therefore, the female labour force will continue to grow both because of natural increase and because of increased participation. The latter will result in an increasing share of labour force growth being accounted for by women. By

*Potential real growth is determined by productivity growth plus labour force growth. Because of current high unemployment, the potential could exceed this sum in the short term. Lower growth rates also makes it more difficult to adjust to rapid changes in the economic structure, e.g., shifts in geographic economic activity. A higher level of supply/demand tuning will be necessary in such circumstances than if there were a larger pool to draw from. This is not a problem necessarily of national shortages but of specific locational shortages.

1985-89, this share will be over 70%. The situation is even more pronounced for Native people. Not only will their participation rate probably grow, but their overall growth rate will far outstrip that of other Canadians. Even with the participation rate growing slowly, Native people will represent 3% of the labour force growth. For the physically disabled the impact is less clear. Such unmeasurable variables as increased survival rates, advances in rehabilitative technology and growing public acceptance will likely increase the numbers of disabled entering the labour market.

Henri Tremblay, Vice-President of Personnel for Steinbergs Ltd., drove home this crucial point about labour force growth and women at the Fourth Canadian Compensation Conference in 1978, sponsored by the Conference Board in Canada:

"To equalize the employment opportunities of women for Canadian employers is not only a question of basic human rights, it is a question of good business sense. That specific thrust of the legislation happens to be highly convergent with the transformation of our labour force... To refuse to tap and optimally utilize that labour pool is not only unjust, it is managerially stupid."

The reason why such a failure would be managerially remiss can be shown by projecting labour force trends against a constant employment mix for each industry based on 1979 ratios of male/female employment. Such a development would result in shortages beginning to appear by mid-decade reaching a serious level by 1990. "Male" employment opportunities will grow at an average annual rate of 2.21% while the male labour force will grow at 1.08%. In contrast, "female" employment opportunities will grow by 2.4% per year while the female labour force would grow by 2.9% per year. The result, with an assumption of 3% frictional unemployment, would be a shortage of 47,980 male workers in

1985 increasing to 443,600 workers by 1980; female unemployment would reach 13% by 1990.* (David Dodge, 1980).

Overall, the projected increases in women's and minorities' participation will assist Canada to maintain a more rapid growth rate than most other western industrial nations.**

To realize this potential, however, there will have to be continuing adjustments in the distribution of sexes among jobs.

Productivity Imperatives

While the extremely high rate of labour force growth in the 1970s permitted reasonably strong economic performance, there was also occurring a serious continuing trend in productivity.

The contribution of increases in productivity to this economic performance was declining, a trend present since the 1960s. In the 1950s, productivity increased at a rate of 3.5%, in the 1960s at 2.4% and in the

*This conclusion is based on an assumption of a static distribution between industry groups and not occupations. There is some evidence that the trend of sex distribution in non-traditional industry groups, between 1975-1979, if extended to 1990, is in line with the projected employment trend. It is quite probable, however, that this trend is a function of an increased number of traditional female occupations in traditionally male industries (e.g., office employment in mining). It is likely that employment growth in these industries during the 1980s will be in occupations other than those traditionally filled by women. In this case, the 1975-1979 trend does not contradict the possibility of shortages.

**Business Week, June 1, 1980, page 110, Immigration policy continues to shift away from being a work force growth instrument. Currently 3/4 of today's immigrants enter Canada based on the family reunification requirement.

1970s at 1.3%. For the first time the 70s saw real wage increases surpass for a time productivity gains making it necessary to cut into the share of return on capital investment. While these rates remain above comparable U.S. figures, the figures for Europe and Japan,* especially in manufacturing, are significantly stronger (Business Week, June, 1980, page 65). Projections for the first half of the 1980s indicate there will be very little productivity gain (.1% - 1.5%) in Canada because of a decline of 3.3% in 1980 caused by a severe cyclical downturn. Estimates for maximum yearly increases in the decade range from 1.5% to 2.2%. (Department of Finance estimates, 1980; Labour Market Development Task Force estimates, 1980).

The implications of these projections are two-fold. First, in order to sustain a stable 4.5% economic growth rate will require a maximum utilization of potential labour force growth (as discussed in the previous section). Second, because of continued improvements in productivity by our major competitors, as well as from less productive countries with low wage bills, there will be a productivity squeeze which could seriously affect economic competitiveness.

In response to these challenges from rapidly maturing economies, the 80s will see substantial growth in so-called high technology industries. In addition, new technology will be applied to existing industries, particularly those in the service sector, as a means to improve the economic productivity.

*While rates in these countries have also declined, they still remain ahead of those in Canada and the United States. (Business Week, June, 1980; Financial Post, November, 1980).

This will require not only a highly trained labour force and the mobility of existing workers into higher productivity jobs but also the capability to retrain this labour force several times during the span of its working life.

The ability of the labour market to accommodate these requirements will be important for Canada's competitive position.

An important example is the business and information management office*. With business reporting a doubling of office costs over a ten-year period, in some cases representing 50% of some organizations' overhead, and only a 40% productivity gain, "office productivity" has become crucial. The current low level of capital investment for the white-collar worker versus the worker in manufacturing is likely to change over the next ten years. The result, will be seen in the rise of "informatics" or the new, technologically dominated office.

The impact of this technological/productivity imperative will have a two-fold impact on the labour market. First, there will be a sharp reversal in the ratio of clerical support information workers (traditionally female dominated) to professional - managerial information workers (traditionally male dominated). As indicated in the previous section, such a trend would intensify the effects of the disproportionate male/female growth rates. The second element relates to whether the labour market is able to facilitate such changes required to improve productivity. This remains in doubt. Heather Menzies

*This example comes from, Women and the Chip by Heather Menzies; her major study on technology and female employment, prepared for the Labour Market Development Task Force, November, 1980.

reports that in one case study of 130 displaced clerical workers only two moved up to the professional ranks. She found that greater technical knowledge, not just technical skills were required to make the change:

"...it raises the concern that informatics is disproportionately reducing the labour content of low-skill or clerical-level information occupations, and increasing the skill content of professional information work. This means that entry level job requirements might rise faster than the natural evolution of work force skills and aptitude, and the would-be, underqualified clerical workers plus the eventually disabled office workers could become "unemployable".

This changing demand requirement, coupled with a limited shift in women's traditional job orientations could change a requirement for job mobility into a major problem of "occupational discontinuity" resulting in a "crisis of structural unemployment".

In addition, the aging of certain skilled workers and the change of emphasis in immigration policy to family unification has increased the pressures in certain more traditional skill areas. New, coincidentally-timed major resource mega projects will contribute to this pressure during the 1980's.

Public Sector Resources

The structural requirement outlined above will take place during a time when Federal Government resources will be strained. During the next ten years, there will be a substantial realignment in all industrial sectors. This will necessitate assisting in the restructuring of some industries and in the development of new industries. Needs associated with major resource mega projects will also, in the short to medium run, place demands on government resources.* At the same time, opinion polls have indicated a contradictory public response to government spending. On the one hand there is a strong demand for lower government spending and increased discretionary income (both consumer and investment). On the other hand, demands for increased government social and cultural services are continuing to rise. Finally, general inflationary pressures such as interest rates and construction costs will strain resources for some time to come.

Labour Market Equity Pressures

Along with these economic pressures, a number of other variables will impact on the labour market environment in the 1980s. It is likely that there will be tougher and more expensive enforcement of human rights legislation. During the 1970s, the systemic approach was increasingly accepted by Boards of Inquiry and the Courts. While fines and settlements have not been substantial, it is likely that this may change.

*These include, for example, infrastructure costs, training, recruitment and counselling costs as well as possible direct investment requirements.

In particular, Affirmative Action as a legal remedy may emerge in the coming decade through legislative changes and new initiatives by Human Rights Commissions.

Part of the reason for the above trend will be a steady increase in public pressure on government to use its leverage to achieve greater labour market equity. In particular, designated groups have shown a substantial growth in terms of knowledge, political sophistication and resources. For example, in recent negotiations with backers of the Cold Lake Project in Alberta, the Athabasca Tribal Chiefs' Association presented a fully developed Affirmative Action plan. Legal issues arising from this proposal are currently being argued before the Supreme Court of Canada.

Perhaps the most radical departure from the past environment is the emergence of highly vocal organizations representing people with physical disabilities. The Coalition of Provincial Organizations for the Handicapped (COPOH) has been a leader in this movement. They have developed a strong position favouring contract compliance and will continue to press for more public leverage over the next decade.

Human Resource Planning

All of the above environmental considerations will result in a strong trend towards more and improved human resource planning by individual employers. The increased importance of such planning has recently been articulated by the

Employer's Council of British Columbia in a report entitled, Corporate Manpower Planning in British Columbia, 1979:

"One of the greatest challenges facing industry, labour and government in Canada and in British Columbia during the 1980s is the development of a work force to meet the needs of the province's growing and changing economy - an active manpower policy.... The act of planning will also allow individual firms to maximize their human resource potential, and to prepare for change in a manner that will allow the labour market's mechanisms to cope with the results of those changes."

In a similar vein, Ross Henninger, President and Chief Executive Officer, for Suncor Inc., told six hundred personnel and human resource managers recently that during the 1980s "Human Resource Planning will move to the very core of corporate planning." (IRMA Conference, Harrison Hotsprings, February, 1980.)

While this trend may well help to solve emerging problems and to maximize the benefits of potential opportunities, it is unclear what resources are available to ensure the orderly progress of planning. In a 1971 study of forty-six companies known to be involved in human resource planning, only five (11%) had comprehensively integrated manpower planning programs (B.D. Keys et al. Meeting Managerial Manpower Needs, Economic Council of Canada, Ottawa, February, 1971). Similarly, a 1975 study by the Conference Board in Canada found that only 20% of 250 surveyed corporations featured manpower requirements as a major area of discussion in the company's corporate plan. (G.T. Caldwell, Corporate Planning in Canada: An Overview, The Conference Board in Canada, August, 1975.)

In more recent studies there are strong indications that human resource planning is increasing in importance. The B.C. Study, for example, found that 34 of 52 surveyed companies had assigned manpower planning responsibilities to an individual or a department in the company. Thirty-two prepared specific numerical estimates of future manpower needs while an additional six companies without specific responsibility completed estimates. Interestingly, eight without a specific assignment also completed projections.

A study of companies in 1980 in Alberta, an area of strong economic activity and skill shortages, also found increased use of manpower planning. (Clifford and Associates, 1980) It found that 17 of 25 companies included manpower plans in their strategic planning process. This process was defined as strategies dealing with the development of business five or more years into the future. In terms of operations planning, defined as more specific in nature, dealing with current operations of the organizations, 23 reported the inclusion of manpower plans.

Owing to limited experience, it is likely that there will be uneven development and only partial implementation; i.e., limited to certain areas such as compensation or training. Much of it may emerge from crisis situations such as shortages or productivity problems. This conclusion is born out by the type of manpower planning carried out by the 23 Alberta employers undertaking operational manpower planning. Only five carry out planning for the semi and unskilled levels, eleven for clerical and fourteen for skilled. Skilled labour shortages are likely to continue as a major impetus for planning.

For example, in a 1980 study of 1,500 Canadian employers, undertaken by the Economic Council of Canada's Human Resources Survey, 48% indicated they had experienced labour shortages and a similar number indicated probable shortages over the period 1980-84 (reported in CEIC, Manpower Planning and Adjustment to Change, May, 1980). Finally, the absence of a tradition of labour-management consultation will slow the acceptance of necessary components of successful human resource planning.

It may also be useful to raise the question of whether the concept of manpower planning outlined in these studies should be separated from full human resource planning. In other words, it may be more correct to speak of the rise of "labour market adjustment" planning which responds to the problem of existing or projected skill shortages. While this forms a core element of human resource planning, it does not constitute the full spectrum of planning associated with the latter process. Human resource planning also involves the systematic development of the internal labour force through ongoing planning and assessment of the systems associated with the labour/personnel function of the organization. It includes long term planning of employer career paths which takes into consideration both the needs/capabilities of the employees and the changing skill configurations, numbers and phases of the company's development. In sum, human resource planning attempts to maximize the operative efficiency of the company's labour force including assurance of the optimum availability of resources with the required skills. It remains unclear whether this level of sophistication is emerging in Canadian corporations.

Whatever the success in the private sector, greater corporate emphasis on such planning will require similar initiative at the provincial and national government levels. Not only will business increase pressure for overall direction (see B.C. Report) but it will be necessary if planning is going to be successful at the individual company level.

IMPLICATIONS FOR THE CANADIAN LABOUR MARKET THROUGH THE IMPLEMENTATION OF AFFIRMATIVE ACTION

The previous sections of this paper have outlined an effective approach to the problem of unemployment discrimination and highlighted some of the most important trends which will affect the labour market in the 1980s. This section will outline the implications for the Canadian labour market of the implementation of the Affirmative Action approach in this environment. Several significant results are covered. First, the potential direct impact of Affirmative Action on the environmental factors outlined above is established; second, the substantial impact on labour supply parameters is reviewed; third, a speculative calculation of net impact on business costs is presented; and finally, the ramifications for collective bargaining and industrial relations are summarized.

Impact on Environmental Factors

The analysis of labour force growth trends indicate that the target groups will play an increasingly important role in maintaining an adequate and

stable rate of growth. While women's participation rate will continue to grow, it is less clear whether the potential younger Native labour force will be able to successfully enter the labour market. Likewise, the large pool of underutilized handicapped workers may continue to face employment barriers. Because these groups will be so critical to maintaining strong labour force growth, Affirmative Action may be appropriate not only for equity reasons, not only because it makes good business sense, but because it is a structural necessity for economic growth.

As indicated earlier, women, Native people and persons with physical disability will represent an overwhelming majority of those constituting the 2% net labour force growth. This majority will be approximately 75% of this expected growth. Affirmative Action could be crucial to avoiding the labour market imbalance which will result without greater penetration of those jobs traditionally filled by white males. It will be equally important in ensuring that women and minorities are not simply used to free male workers to take the higher skill jobs and new emerging technical positions.

Finally, Affirmative Action could increase the limit to economic growth created by the declining growth in the labour force. At present, the participation rate of Native people is well below the Canadian average and approximately 100-120,000 employable persons with physical disabilities are unemployed. If the participation rate of Native people could be increased through Affirmative Action, the Canadian labour force could grow by up to an additional 180-200,000. Likewise, better utilization of the physically disabled

would increase the number of available workers. It is also conceivable that an increased employer demand for female workers (supported by improved training, career counselling and referral) would accelerate the increase in female participation rates. The significance of this potential outcome will be a function of the demand created by business investment.

The above factor is closely tied to the question of increasing productivity and establishing competitive industries. These groups, especially women, will provide the best trained influx of new workers in Canadian history. Indeed, women in North America have been singled out as one of the major positive factors in productivity competition with the rest of the industrialized world. Business Week (June, 1980, page 110) quoted Eli Ginzberg (the Columbia University economics professor who heads the U.S. Commission on Employment Policy):

"Moreover, we are further ahead in know-how to use the half of the population known as women, and I cannot overemphasize the importance of that fact.... In neither (Britain nor Japan) do women have the extent and kinds of education they have here (U.S.A.), in neither do they hold the variety of jobs they hold here, in neither are they moving upward as steadily as they are here and in neither does the government aid actively in their progress....

These women (entering the labour market) are labour force recruits from a brand-new source and unlike (earlier entrants)... these recruits are highly diversified. They are capable of filling niches throughout the country's industrial structure, present and future."*

In Canada, a similar pattern of a diversified, skilled, female labour force is present. However, we do not currently have the same upward mobility in

*Affirmative Action in enrolment at Canadian universities and training institutions has not been required as it has been in the United States under Title VII of the Civil Rights Act of 1964.

large part because government has not aided so actively in their progress. Affirmative Action would provide this necessary attribute. Similarly, the physically disabled in the United States (and Germany) are being actively integrated as are Native people in the United States.

The second element of the productivity question is the movement to new technology and high technology industries. It will be necessary to integrate both new and existing workers in changing skill configurations. Women who entered the low skill, low productivity service sector in large number, during the last ten years, will have to be upgraded to fill both new jobs and to handle new technology in existing jobs in order to facilitate productivity gains and avoid structural dislocations. As we have seen, this process involves more than simple, linear job mobility. If these adjustments are not made or are not handled well, the opportunity costs to the Canadian economy will be enormous. The Affirmative Action planning process is precisely designed to facilitate such adjustments. In addition, because it results in the rationalization of human resource systems, its impact can and would affect all adaptive measures. Finally, the analytical audit process associated with Affirmative Action would also reveal hidden existing skills representing already made investments in human capital. Again, the implications for opportunity costs would be significant.

As indicated earlier, these changes, development adjustments and political pressures will severely constrain government resources. Affirmative Action, consistently applied, would have two positive impacts on this trend.

First, any increase in the costs of transfer payments because of successful entry to the labour market would impact on government revenues. Other social costs would also decrease. There would also conceivably be savings based on increased efficiency in terms of government programs for the disadvantaged. That is, a rationalization of demand would increase the number of successful outcomes on training, mobility and other programs.

The second impact is related to a change in the perception of the ownership of the problem. Affirmative Action results in employers assuming a major responsibility for the integrative process. Putting aside for the moment the implications of costs to business, this will have several significant results. First, the requirement to validate systems with adverse impact will result in the removal of certain unnecessary requirements which have led us to spend considerable resources on training. Second, necessary training costs can be minimized by having employers structure training and adjustment measures to meet their specific needs.

The implications for responding to increased human rights enforcement of Affirmative Action are fairly obvious. Such an approach offers a structured problem-solving approach to determining legal risk and making necessary changes. While it will not avoid costs arising from past practices it can help to avoid future litigation.

Affirmative Action will also provide an acceptable response to pressure groups. Quick and meaningful implementation of well-developed plans in

the many mega projects will substantially reduce the cost and time associated with constant disputes with Native and women's organizations. In addition, a strong Affirmative Action initiative could be tied to the spirit of the Charter of Rights proposed for the revised constitution. It would provide a concrete, practical indication of the significance the government attaches to the principles contained in the Charter.

The final environmental factor is the emergence of human resource planning as a major element in the management process. As has been indicated at several points in this paper, Affirmative Action can be easily integrated into such planning models. But equally important, Affirmative Action may provide the lead, eventually resulting in an expansion, into all areas relating to employment in the company. In addition, it may also provide an initial area for introducing management/labour cooperation and consultation. As Henri Tremblay stated in his address (referred to earlier),

"... given certain conditions (equal opportunity requirements) can help us to orient our organizations in directions that makes sense for the furtherance of our business...and that can be very beneficial to the health of (the) organization".

Those "conditions" argues Tremblay, are present if the strategy of implementation is defined in "systems change terms".

Further evidence that Affirmative Action is consistent with proper human resource planning comes from evaluations done by over thirty private sector managers attending CEIC's Affirmative Action Management Training Seminars (June 1980, November 1980). After one week of training, participants had almost unanimously found the Affirmative Action planning model appropriate for their organization.

In summary, Affirmative Action is in line with the principles of human resource planning now emerging as a key issue within the Commission and the Labour Market Development Task Force.

Impact on Supply Parameters

Affirmative Action is primarily designed to impact directly on the demand side of the labour market. Although it in part emphasizes the maximum utilization of internal company availability of qualified employees, this section is designed to outline some of the major implications for external labour force supply. It is clear that Affirmative Action (along with the general labour force growth trends) will generate significant pressures on key supply variables, many directly affected by federal government actions.

The first impact will be on those institutions which train or prepare potential labour force participants. These include schools, vocational and technical colleges, universities and other similar public and private institutions. Experience in Canada and other industrial countries suggests that there is substantial pre-market discrimination affecting the supply of qualified workers from certain groups. Affirmative Action, therefore, is likely to result in increased political pressure by the business community to change the distribution of supply from these sources.

Closely connected will be additional pressure to both expand the requirement for and the direction of career counselling. This will affect not

only the delivery of this service by the above institutions but also that of employers providing their own career counselling as well as management firms providing career counselling and recruitment expertise to the private sector.

Because of the CEIC's unique role, Affirmative Action would have a direct impact on many Commission services. These would include:

1. The ability to rapidly and efficiently respond to employers' requests for designated referrals, for assistance with employee counselling and for training resources.
2. The ability to develop or modify programs which would provide the required supply of designated group workers with requisite skills (for example, it would be necessary to develop Affirmative Action plans for CEIC training programs).
3. The ability to ensure a suitable supply of relevant participants in the programs outlined in point two through effective marketing, recruitment and career counselling.

The pressures outlined above have extensive implications in areas not directly controlled (although often funded) by the federal government. Political pressure to conform to demand requirements may be necessary but will also result in jurisdictional conflicts and even resistance. It is likely, therefore, that a stimulation of private sector demand will result in frustrated ambitions for progressive employers. The continuance of some long-term skill shortages (e.g., Machinists) and the emergence of new shortages (e.g., high technology skills) suggest that many pre-market institutions are not necessarily accountable to this demand. Because of this situation, Affirmative Action will not only impact on supply, it will create certain policy imperatives on that side of the market equation.

Impact on Business Costs

Success in terms of gaining what Henri Tremblay has called a "positive compliance attitude" from business will in large part depend on the direct net impact on business costs. At this point, it is now assumed that the costs of implementation, both public and private, will be offset by future social returns, both in terms of equity and economy. The crucial question is whether the short-term costs of an individual employer, stated as investments in labour capital, would be greater or less than the discounted returns to this investment.

There are a number of significant problems associated with answering this question. The first is arriving at an assessment of what real costs, if any, are associated with implementing the Affirmative Action approach. Potential costs include direct costs of developing and implementing a plan (staff time, outside technical assistance, computer time costs, new material, etc.). There is also the question of less tangible costs such as employee conflict, lower efficiency by not necessarily hiring the "most" qualified candidate, etc. The second problem is isolating measurable economic benefits from a plan (for example, more efficient use of human resources, editing out the non-valid, expensive practices, higher morale, etc.). The final problem is determining the opportunity costs of "investing" resources in this way versus other potential investments. All of these problems make a definitive conclusion impossible. Even the evidence from the United States is huristic and inconclusive. This being allowed, we propose to look at the question from an aggregate and an individual company perspective.

An aggregative assessment involves measuring total costs, whatever they may be, in terms of our earlier projections of core trends in the economic environment. If that analysis is correct then the potential indirect benefits of Affirmative Action to the individual firm would be substantial. This would result from its very positive impact on the general stability of the economy and its ability to maximize productivity. That is, the benefit would be in the form of avoidance of serious structural dislocations.

From the point of view of the individual firm, this aggregate assessment might appear esoteric. As such, like other general socio-economic benefits, costs should be absorbed by the public purse. Regulations on Affirmative Action, which transfer the responsibility to individual firms, would be viewed as costly and counter-productive in terms of productivity imperatives. Direct implementation costs are compounded, believe business executives, by the style of regulations. In a survey of 300 U.S. corporations, for example, the Conference Board found regulators viewed as "pecksniffs -- untrained, self-important, pious in the public service, overly concerned with detail; jealous of turf and suspicious of business". The result, finds New York lawyer Bayless Manning (Business Week, June, 1980, page 66), has been a steady decline in voluntary compliance.

We assume, therefore, the individual firm faces direct costs (including opportunity costs) as well as potentially extra costs associated with public regulators. Both these costs can be minimized by using an Affirmative Action approach. In terms of direct costs the Affirmative Action planning

process can be integrated into existing and ongoing corporate planning and problem-solving systems. In addition, Affirmative Action, with its concentration on business necessity, does not rely on integrating workers who are not qualified. Likewise, the emphasis on a system's approach can avoid many regulatory conflicts. In such a situation, if a "positive compliance attitude" is adopted, notes Henri Tremblay, the employer "will not only encounter less difficulties but he is the most likely to come out of his phase of transition with an overall increased organizational effectiveness".

The financial impact of this effectiveness can only be qualitatively assessed. As the Financial Post (November 20-27, 1980) recently noted about the impact of regulations on productivity, "No doubt (they) add to production costs but it could be worth the price. We measure those costs but we don't measure the benefits". There are indications, however, that some major companies have implemented Affirmative Action effectively and now report measurable economic gains. In the United States, Mobil Oil, Weyerhouser, Norton Simon Ltd., and A.T.T. have reported such outcomes; in Canada, Metropolitan Life, Bell Canada and Warner-Lambert report similar findings.* In a specific case, The Nova Group of Companies reported a 36% lower turnover rate for Native employees relative to non-Native employees.

Likewise, The Mining Association of Canada reported in May, 1979, after an extensive study of female workers in non-traditional jobs in the mining

*See, for example, the Warner-Lambert Canada Limited publication, "Affirmative Action - One Company's Way".

industry, that "their performance, attitude and behaviour are as good as their male counterpart and, in some cases, better". Twenty-four of thirty-one companies which responded to a question on whether there are any advantages to employing females in traditional male jobs responded yes. Reasons ranged from direct cost-savings to the company to less quantifiable benefits such as better morale.**

In conclusion, two variables affecting the costs of implementation must be considered. The first relates to the question of negative vs. positive compliance. Simply stated, if an employer approaches the requirement without a commitment to realizing the spirit of the regulation and without a commitment to using standard corporate tools, the results will reflect this approach. The result will not only be a failure to realize the required objectives but, in many cases, a quite irrational outcome vis-a-vis the employer, i.e., higher cost. A similar higher cost outcome may result even if the employer's intentions are positive. This happens when change is carried out poorly and the technical complexity of Affirmative Action is ignored or misunderstood. The likelihood of such a result increases with the absence of experience in good human resource planning.

The second variable affecting costs is the efficiency of supply variables. For example, if the employer must undertake recruitments to assure qualified women candidates of job vacancies because the normal public system cannot deliver, extra costs may result. It is probably reasonable to assume

**On disadvantages, seventeen answered an unqualified no while fourteen answered yes. Seven operations answered no to any benefits.

that such costs will decline as supply institutions adapt to new demand profiles created by Affirmative Action.

Impact on Collective Bargaining and Industrial Relations

It is clear that the implementation of Affirmative Action will have a very significant impact on labour/management relations. Collective agreements differ in the degree to which they provide the basis of a company's employment system. But in almost all cases, the terms of agreement will play an important, if not paramount, role. Despite this fairly obvious fact, it would appear that the ramifications of Affirmative Action have not been explored extensively in Canada*.

The attitude of Canadian unions to Affirmative Action can be described as relatively positive. In a cross-Canada sample survey, 63% of union leaders indicated varying degrees of support and several provincial Federations of Labour have existing policy statements supporting Affirmative Action. The Canadian Union of Public Employees (CUPE) has also developed an extensive, well-written manual for its members on how to initiate, develop and implement a plan. CUPE's national president, Grace Hartman, has suggested that refusal by management to implement a plan should be considered a strike issue. The significance of this attitude is that the introduction of Affirmative Action will not necessarily be registered and indeed may be welcomed by union negotiators.

*This conclusion is based on a telephone survey of Union, Human Rights Commissions and academic sources. A full survey of available research is currently underway.

Despite the potential for cooperation, there will be a significant impact on the bargaining process. This may include changes in the internal cohesiveness of the union, issues opened to bargaining and the issue of managerial prerogative.

As collective bargaining involves primarily negotiations between two parties, the cohesiveness of each is important to the stability of the process. Affirmative Action will place considerable responsibility on unions to reconcile the interests of the various groups of workers affected by changes. Certain members will lose rights and benefits gained at the expense of other groups. A negative scenario suggests that such changes will create competing interests which will erode the stability of union leadership. "This in turn", writes Keith Hunt, Vice-President of Industrial Relations and Organization, Canadian National Railways in 1978, "could adversely affect the ongoing relationship between management and labour and could make it more difficult to secure ratification of tentative agreements in cases where factions within a union have potentially conflicting objectives".

On the contrary, however, there may well be the reverse impact. Because of increasing demands by women and minority groups, Affirmative Action may decrease rather than increase conflict within the union. Properly implemented, this may serve to preserve stability in both negotiations and in the work-place itself.

Affirmative Action will certainly impact on the issues normally dealt with through the bargaining process. On the one hand, it may increase the complexity of issues because of the need to assess the impact most will have on the equal opportunity posture of the company. Whether this increased complexity will heighten tensions and prolong negotiations will probably depend on the sophistication of negotiators for both sides. On the other hand, Affirmative Action may remove certain issues from the bargaining table and streamline negotiation procedures.

While equal opportunity and Affirmative Action clauses are present in many collective agreements already, evidence suggests that not many have been put into operation. In large part, this may be a function of the unresolved issue of management prerogative. Two points are crucial: first, Affirmative Action touches all areas of human resource management and second, the acceptance of exclusive managerial prerogatives remains very strong in Canada. Employers have generally been cool to the prospect of expanding the right of access to previously privileged information and data. Unions, on the other hand, strongly object to the development of plans unless, as the Saskatchewan Federation of Labour has stated, "the employees or union (have) full, equal and formal participation from the outset..."* If agreement can be reached on cooperation in developing and implementing plans, Affirmative Action may provide an initial base for establishing broader arrangements designed to decrease conflict in industrial relations settings. And as Delmar L. Laden Jr., Director of Organizational Research and Development at General Motors Corporation has stated, such arrangements will-

*Policy Statement on Affirmative Action - A Program to Combat Discrimination, October, 1979.

"...reduce the conflict between workers and bosses and substitute problem-solving skills for adversarial skills. There's no question that the organizations capable of doing this more will be the ones best able to cope with a rapidly changing social, political and economic environment". (Business Week, June, 1980, page 98.)

EXPERIENCE OF AFFIRMATIVE ACTION INITIATIVES TO DATE IN CANADA

In the opening sections of this paper the nature of employment discrimination was outlined and Affirmative Action as an effective remedy was developed. The conceptualization of the problem in terms of systemic impact is now recognized by judicial bodies in Canada. Starting with the Singh vs. Security and Investigation Services Ltd., case in 1976 and reaffirmed in such cases as Coffey (1979), Foster (1979) and a recent conciliation between Greyhound and the Canadian Human Rights Commission, adverse impact without business necessity has been viewed as discriminatory. Affirmative Action as a judicial remedy, however, has as yet not been applied. To date, making the individual whole, i.e., compensation and changing the offending practice or system, has been the limit of the decisions.

The result of this development of human rights jurisprudence is that Affirmative Action has not been imposed as a legal requirement. On the whole, this has meant that voluntary implementation of Affirmative Action has been the major thrust in Canada. The following section reviews briefly the impact of this approach in terms of federal programs, provincial experience and private sector initiatives.

Federal Programs

The earliest federal government program originated in February, 1976, when Cabinet approved the recommendations of the "Status of Women Contract Compliance Study". The Department of Labour was charged with the administration of the Federal Contracts Program (FCP). Federal contractors and Crown corporations were to be persuaded to accept voluntary guidelines for equal employment opportunities for women in recruitment and career advancement.

In April, 1978, an Affirmative Action Strategy was approved for delivery by the Canada Employment and Immigration Commission (CEIC). This program was directed to all private sector employers and unions and included women, Native peoples, the physically disabled and certain regional groups, such as Blacks in Nova Scotia, as the target groups. The basic mandate of the program was to encourage the voluntary adoption of Affirmative Action plans and to provide technical consultative services to those employers wishing to develop a plan.

In September, 1978, the Federal Contracts Program was transferred to the Affirmative Action Division of CEIC. Since April 1, 1979, when the first group of Affirmative Action consultants completed training, seventeen agreements or letters of understanding have been concluded with employers. Only two of these agreements have been with federal contractors. An additional 30 employers have attended one-week training courses. While there have been some changes in discriminatory practices and some special hiring measures instituted in

cooperating companies, no comprehensive plans have yet been implemented. The relatively small number of commitments is both a function of limited resources and a poor response rate. In terms of the latter, over 200 companies have been approached.

Although the above programs represent the most explicit attempt to market a comprehensive Affirmative Action approach, a number of related agreements have been imposed in the resource sector. Some are highly limited, while others provide for extensive programming. The first category covers agreements containing Native participation targets without stipulations as to what steps are to be undertaken. For example, such agreements were concluded with the Nanisivik Lead Zinc Mine and with Dome Petroleum in the Arctic.

The second category includes some agreements in which detailed implementation steps for Affirmative Action plans were required. Syncrude Ltd., for example, signed a tripartite agreement on Native employment with The Indian Association of Alberta and the Government of Canada. Its initiatives have been extensive, including remedial and support measures as well as goals and timetables. While a comprehensive audit of employment systems is lacking, the company has been reasonably successful.

Explicit compulsory Affirmative Action was mandated in the regulations for the Alaska Gas Pipeline to be built by Foothills Pipeline. Although approval to commence construction of the prebuild section was originally incumbent on the submission of an acceptable plan, work was allowed to proceed

before a plan was approved. Similar mandatory requirements will, in all probability, be included in future pricing agreements with the oil industry.

Definitive conclusions about federal initiatives are difficult to make. Three points, however, deserve attention. First, although resources assigned to the CEIC Affirmative Action programs have not been substantial, the ratio between companies approached and those proceeding has not been high. Second, many resource sector agreements have not required an Affirmative Action approach but rather have been little more than directives to establish goals. Finally, it would appear that no company has suffered serious sanctions for not meeting the conditions laid out in the agreements.

Provincial Experience

Provincial experience with Affirmative Action is very limited and, with the exception of Saskatchewan, has involved only voluntary compliance to recommended guidelines. For example, for nearly five years, the Women's Bureau of the Ontario Department of Labour has consulted with approximately five hundred employers. Its role has been limited to providing information and initial advice on Affirmative Action for women.

Similarly, Nova Scotia has, for eight years, been actively encouraging companies to expand their employment opportunities for women and minorities. Most other provinces have, at various times, included terms and conditions in contracts or leasing arrangements designed to assist specific groups. None,

however, has had a consistent compliance approach and the lack of serious sanctions has affected compliance.

Saskatchewan deserves special mention. Recent changes to Saskatchewan legislation and the approval of Affirmative Action regulations will result in Affirmative Action becoming a potential judicial remedy and a condition of doing business with the government. Even before these changes, the surface lease agreement of September, 1978, with AMOK Ltd., required the establishment of a program to ensure the recruitment, employment and training for northern residents who are 95% Native. Perhaps the most unique feature of the AMOK operation is the public monitoring mechanism which acts to ensure on an annual basis that the company, through its employment and business opportunity plans, is meeting the goals and timetable established in the agreement. Native participation has averaged 60-65%, well above the 50% level required by the terms of the agreement. It is probable that all future resource development projects above the 60° parallel will have similar conditions. Whether the use of similar requirements will be used to increase the utilization of women, southern Native people and persons with physical disabilities remains to be seen.

Private Sector Initiatives

A number of factors have combined to lead to various employers implementing their own programs. These include concern with human rights legislation, with public image and with the perception of key market

participants (e.g., the banks with women and Native people, the latter acquiring new and substantial resources from recent land claims settlements), as well as experience with the positive impact of company programs in the United States.*

In a previous section on impact on business costs, it was noted that several Canadian companies reported positive benefits to implementing programs dealing with employment discrimination. One of these companies was Warner-Lambert Canada Limited. In 1975, the company established an extensive Affirmative Action program which included most of the steps outlined earlier. Two issues led to this commitment: first, a recognition of growing government interest and a belief that response before legislation is desirable, and second, a realization of the implications of changes in the labour force both in terms of numbers and skills.

The company has reported that the systems approach has resulted in both changes in the company's labour force and rewards to the company. For example, changes reported for 1978 included a 40% increase since 1975 of women in the Supervisory Management group, 50% increase since 1977 of women in field sales positions and 50% female participation in "in-house" seminars and in use of educational reimbursement assistance. Rewards have included increased productivity through better utilization of actual and potential employee skills, more efficiency in allocation of responsibility and tasks, 20% reduction in female turnover and lower costs for recruitment and orientation.

*This experience is a two-edged sword. Companies which have taken a positive compliance stance in the U.S. have experienced positive returns and this is reflected in their attitude. Others have resisted and the negative outcomes have influenced their attitudes.

A similar, although perhaps less structured approach, was undertaken by Metropolitan Life Insurance Company on the request of Mr. J.P. Manier, President of Canadian Operations. Mr. Manier had had extensive experience with Affirmative Action in the United States. A task force was established in January, 1978, to:

- (1) review the distribution of women in the company;
- (2) survey attitudes; and,
- (3) review human resource systems and recommend system changes designed to ensure equal treatment and to actively encourage employees to develop their potential to the maximum.

Recommendations called for inclusion of equal opportunity into the company's Management by Objectives approach and specific steps related to recruitment, placement, staff development, external relations and company benefits. Since submission of the task force's report, implementation has proceeded based on short and long-term goals. Yearly evaluations have indicated good progress to date.

The two examples cited above are not representative of Canadian employers as a whole, although they do indicate the potential for success when a corporate systems planning approach is used. Neither do they represent the only company programs in effect. Many employers have programs of varying intensity and structure as well as varying rates of success. The less systematic the approach and the greater the degree of marginalisation from operative corporate goals, the less productive - in terms of both results and rewards - the outcome is likely to be.

It may well be asked why, given demonstrable returns, private sector employers have not embraced Affirmative Action with more vigor. A number of reasons may explain this anomaly.

- (1) Human Resource Planning itself has not received the attention it should always have had in the corporate planning process.
- (2) Labour Market Changes and Educational Profiles, especially in terms of women, have not been recognized, nor have their implications been grasped.
- (3) Traditional Attitudes to women's roles and Biases to Native people and persons with physical disabilities remain strong determinants of managers' behaviour.

Therefore, despite the often-mentioned rationality of the private sector, certain companies have been quicker to recognize the advantages of developing positive human resource innovations. As a Vice-President of a major Canadian company recently stated, "In the decades ahead, any organization that ignores or under-estimates the potential of women, or overlooks any source of talent for that matter, will be making a fatal mistake".*

LABOUR MARKET POLICY: INFLUENCING DEMAND

The implications of the above discussion is that an Affirmative Action approach could be a valuable labour market tool for improving the employment position of certain designated groups while, at the same time, having a generally positive impact on corporate and public labour market planning. Its wide acceptance and implementation will not, however, necessarily flow from this

*Quoted in Ontario Business, November 1979, p. 13.

conclusion. Strong emotive reactions, different cost/benefit outcomes for different employers, lack of labour market information and the current fragmented and uneven development of human resource planning expertise will encourage negative reaction. Government encouragement will also be reviewed with suspicion if not hostility. Against this background, it will be necessary to develop an integrated labour market policy for ensuring the utilization of this approach in the private sector. By an integrated policy, it is meant that Affirmative Action must be fully internalized with other general labour market policies and must be reflected in those initiatives designed to influence the supply side of government programs.

This section outlines appropriate policies and programs designed to influence the demand for designated group employees and summarizes the most significant requirements for certain CEIC programs which determine supply. It examines these issues under three general requirements: necessary corrective actions, policy instruments and incentive packages.

Corrective Actions

If Affirmative Action is to be successfully marketed by the government, there are a number of corrective measures which must be undertaken. These relate first to continuing a technical, advisory and a promotion function, and second, to removing problems associated with the delivery of such a program. The latter includes the lack of necessary data, the potential impact of the Access to Information Act and the Privacy Act and the requirement for designated

referrals from Canada Employment Centres (CEC's) as well as steps to improve the supply of such referrals with the requisite skills.

1. Technical Consultation and Promotion

Whatever mechanisms are adopted to ensure Affirmative Action is implemented in the private sector, it will be necessary to provide a well-developed model and appropriate technical expertise. While there is such an existing service in the Commission, it has never been fully staffed and could not at present provide the technical assistance required if a full impact objective were adopted. In addition, the service has remained marginal to the broader manpower initiatives which have currently emerged within the Commission. In the future, it will be necessary to formally establish the position of Affirmative Action vis-a-vis general and specific manpower agreements. This will require not only a strong, professional technical package but also the development of expertise as an integral part of the Commission's planning services.

This need for an integrated approach has been highlighted by several cases where Affirmative Action has been inserted as a key issue while CEIC experts have remained on the margin of the negotiations. For example, a proposed pricing agreement for an oil project had CEIC assuming responsibility for a general manpower plan and Indian Affairs overseeing a separate Affirmative Action component. In a more recent case, negotiations with employers from a major industrial sector for a human resource planning agreement were slowed by employer reluctance to accept an Affirmative Action clause. No trained consultants took part in the negotiations.

Specific changes will be required if effective and consistent delivery of service is to be achieved. This will require either revisions to existing programs to ensure Affirmative Action is internalized in future agreements or the development of an appropriate component in the new structure and policy to be recommended by the Organizational Review and the Labour Market Development Task Force. In other words, provision for Affirmative Action planning would be an integral and non-negotiable element of new agreements, senior Commission executives of those organizational units responsible for negotiation and delivery of services under the agreements would be held accountable, and a strong, technically trained staff would have direct responsibility for delivery to participating employers. In addition, the Commission's mandate must be clarified to avoid duplication of services and the communication of conflicting expectations to industry by different federal departments.

2. Necessary Data

It should be clear at this point that an Affirmative Action corporate planning model requires a strong data base. From assessing changes in the basic socio-economic facts identified at the outset to determining the availability of designated group members with requisite skills, accurate data is crucial. The completeness of currently available data ranges from reasonably complete for women to almost non-existent for the physically disabled. It will be necessary to undertake an extensive program to develop a data base on persons with physical disabilities and to improve labour market information on Native people. An appropriate mechanism would also be required to ensure that this latter

information, as well as that on females, could be made readily available to employers developing and implementing a plan.

3. The Access to Information Act and the Privacy Act

The process of carrying out an audit of an employer's labour force and employment systems is an essential step in developing an effective Affirmative Action plan. It involves collecting and reviewing detailed information about the employer and the employees. When the Commission is involved in a consulting role, the question of protecting the confidentiality of collected information in the hands of the consultant arises. To ensure the integrity of the consultant's position, an exemption to SS.25 (7) of the Access to Information Act is required. Similarly, to ensure the right to review employee records an exemption to paragraph 8(2)(b) of the Privacy Act is needed. Whether it is necessary to rely on general exemptions contained in the statutes or whether specific statutory exemptions are sought will depend on the legislation base established for Affirmative Action.

4. Designated Referrals and Supply Influences

In the section on impact on supply parameters, it was indicated that CEIC would be called upon to play a significant role in ensuring a smooth supply of potential employees from designated groups to participating employers. This role may be viewed as a three-part process:

- (1) recruitment of designated group members for training, counselling and referral;
- (2) delivery of appropriate training, counselling and preparatory services; and,
- (3) referral of clients to employers with bona fide Affirmative Action plans.

In some cases, all three functions will be closely integrated; for example, an employer may utilize CMITP to train women for non-traditional jobs with CEIC recruiting, counselling and referring suitable clients to this training. This section is concerned with the first and third function.

Once a company has developed and put in place a plan, the CEC's must be in a position to refer appropriate candidates from the designated groups. In terms of legislation such race and sex conscious referral is sanctioned by Section 15 of the Canadian Human Rights Act (special programs provision) and Section 132(b)ii of the Unemployment Insurance Act. In order to effectively put this process into operation, it will be necessary to develop a mechanism for developing and maintaining registries of designated group clients. These registries must accurately reflect the availability of requisite skills and must permit rapid access by the referral counsellor. To date this has not been done. Two steps are required: first, an efficient mechanism, acceptable to the Canadian Human Rights Commission, must be developed and an adequate supply of appropriately skilled (or potentially skilled) clients must be identified for the registries.

Although sex, physical disability and race conscious data may be collected under Section 15, Canadian Human Rights Act, in support of special programs, there have been considerable problems associated with the development of an acceptable registration system. A joint employment-UIC registration form, which would have provided for voluntary self-designation of interest being considered for an Affirmative Action employment situation, was recently withdrawn because of problems not associated with Affirmative Action. While sex conscious data is recorded on the existing form, the Canadian Human Rights Commission has applied considerable pressure on CEIC to facilitate a change. In order to ensure that CEIC can meet the needs of Affirmative Action employers, it is imperative that the Commission develop, as soon as possible, a workable system.

A word of caution, however, is required. The mechanism which emerges must be able to fit into the trend towards the development of rapid access systems signalled by the development of the Metropolitan Order Progress System (MOPS) and the Job Bank. The requirement, insisted on by the Canadian Human Rights Commission, that necessary Affirmative Action data be separated from information used for standard referral services, must not result in a clumsy, time-consuming mechanism. Such an outcome would negatively impact on Commission resources, counsellors' attitudes and, potentially, employers' costs.

Once a system is in place it will be necessary to ensure a suitable supply to fill the registry. This will require not only identification of clients from the normal intake flow but also active recruitment of potential participants and the streaming of clients from training and counselling

programs.* Although many CEC's already have special counsellors working with women and Native people, adequate resources will have to be maintained to ensure the efficiency of the new system.

The corrective actions outlined in this section are not incumbent upon radical or substantive changes to the government's current initiatives. They are necessary even to properly carry out existing programs and policies.

Policy Instruments

This section reviews policies which may be used to ensure employers use Affirmative Action as a human resource planning tool. It outlines several compliance-based initiatives which will provide varying degrees of leverage. Although they will necessarily raise some difficult questions related to constitutional jurisdiction over labour relations and employment standards, properly implemented they may well represent the most direct and productive policy tools for influencing changes in demand patterns.

The following analysis outlines two approaches to establishing compliance, a legislative base and a policy base. Although the latter permits the easiest methods of implementation, by allowing for a simple Cabinet Directive, in the case of contract compliance and/or changes in the Canada Labour Code, statutory provisions are required.

*The need to increase the numbers of designated group members in various CEIC labour force development programs will be a corollary to the development of registries. This issue is not dealt with in this paper but may be found in other Task Force papers.

1. Legislative Approach

The extent to which the federal government can legislate mandatory Affirmative Action is limited by its jurisdiction over labour standards. The Snider case (1925) clearly established that a provincial jurisdiction over "property and civil rights" extended to labour relations in general with the exception of certain "federal works, undertakings, and business". In all, the latter group of employers represents approximately 10% of the Canadian labour force. To increase the impact, therefore, of the government's initiative, it may be possible to insist that all or specified employers benefitting from federal contracts, comply with Affirmative Action requirements. Such a policy would be in line with the Treasury Board Administrative Policy Manual and the Government Contract Regulations which recognize the appropriateness of utilizing the procurement process to achieve national objectives.

To achieve the statutory mandate outlined above, two legislative changes would be required:

- A. Federal Labour Standards - A statutory change to the standards could be made to require federally regulated companies to implement Affirmative Action unless no need can be demonstrated. Such a requirement would impact on all federal companies, whether or not they had a contract.
- B. Statutory Contract - A legislative provision could require that Affirmative Action clauses be inserted in specified contracts with employers falling under provincial jurisdiction.

The latter course of action does not violate jurisdictional boundaries because it is already recognized that the federal government at present inserts numerous clauses relating to matters ancillary to the main purpose of the contract as long as they do not violate provincial laws. A constitutional issue does arise, however, over whether the spending powers give the federal government legislative jurisdiction to provide by statute for special remedies and enforcement mechanisms.

The need for such provisions stems from legal opinion which questions the ability of existing contract laws to permit monetary and specific performance remedies for violation of an Affirmative Action clause. If jurisdiction is lacking for special remedies, etc., termination and debasement - extra-legal remedies - would be available to sanction non-performance. These latter sanctions would provide a persuasive, if delicate, argument for employers to comply with.

2. Policy Approach

A fully legislated approach would be applicable only for employers under federal jurisdiction although a statutory contract approach to other contractors would indicate a strong government commitment and facilitate action by appropriate government agencies. In addition, there are a number of policy initiatives which could be used to expand the impact on employers. These include policies related to: A. Manpower Planning Agreements; B. Oil Pricing Agreements; C. Off-Shore Recruitment of Workers; and D. any new initiatives to provide Development or Adjustment Grants to private sector companies.

A. Manpower Planning Approach

The Commission is currently negotiating a comprehensive manpower planning agreement with the aerospace industries. Environmental pressures, government encouragement and the paucity of existing expertise are likely to result in additional negotiations with other industrial sectors. These agreements will commit signatory companies to work with Commission professionals and outside consultants in the rationalization of their human resource systems and in developing projections and mechanisms designed to ensure an orderly flow of skilled labour in the future. Specific incentives will come from the Commission's expertise, training resources, supply projection abilities, referral and mobility mechanisms and control of off-shore recruitment.

In addition to these potential benefits, the importance of government involvement will continue to be very significant in certain sectors. The aerospace industry, for example, includes several Crown corporations, depends heavily on government contracts, and is influenced significantly by government policy and initiatives (e.g., STOL and developmental grants). This industrial sector is also facing a strong challenge from its dominant union on the question of the under-utilization of women in the labour force.

Affirmative Action must be established as an integral element of these agreements. In other words, companies must be required to develop and implement Affirmative Action plans and should be able to access Commission expertise in this area. In order to ensure compliance, it will be necessary to ensure that

direct benefits such as training dollars, grants and off-shore recruitment are tied to performance.

B. Oil Pricing Agreements

The Canadian economic activity during the 1980s will be influenced substantially by the development of larger, resource-related investment, commonly referred to as "mega projects". The most significant of these will be in the energy field and in particular in the heavy oil sands area. In order to ensure the economic feasibility of these latter projects, it will be necessary to permit the oil industry to charge world prices for the resulting product. In order to do this, there must be Cabinet agreement and it is this requirement which provides the all important leverage.

There are two important aspects of this approach which must be considered. The first is that such projects involve two distinct phases involving quite different labour forces and different skill configurations. Stage one is the construction phase involving, through sub-contractors, a large, highly skilled and unionized labour force over a relatively short period of time. While wages are high and the skills transferable, continued employment may require a high degree of mobility. In addition, the skills required necessitate a minimum two-year lead time to train suitable numbers of Native peoples and women. Stage two is the on-going operation of the plant. It also involves a relatively skilled labour force but the jobs are longer term, if less in number. In order to maximize the employment of designated groups members, it

will be necessary to begin implementation of Affirmative Action with a suitable lead time and to avoid commencing the plan only once the operational phase has begun.

The second aspect is the nature and propriety of mechanisms to ensure compliance with the Affirmative Action requirements. Energy projects are not only enormous in costs and highly significant in terms of a multiplier effect on the Canadian economy, they are also crucial to ensuring energy security in a volatile world situation. Thus, the very definite risk is that Affirmative Action, as a priority, will be played off against the priority of securing oil and energy self-sufficiency. As outlined earlier, despite requirements for Affirmative Action for construction of the prebuild section of the Alaska Gas Pipeline, work was permitted to commence without approved plans.

The problem of ensuring compliance is most difficult with the construction phase. Even if start-up is delayed until an acceptable plan is developed, the relative short-term nature of construction creates problems in terms of effective remedies for non-compliance. In terms of operation, a withdrawal of the pricing agreement would provide a strong, suitable remedy mechanism. Experience indicates that establishing contractual or agreement-based requirements for Affirmative Action without explicitly establishing and, when necessary, applying sanctions is not enough.

C. Off-Shore Recruitment of Workers

Companies generally request permission to recruit off-shore workers to fill existing vacancies or new jobs for which Canadians with requisite skills cannot be found. These shortages, both real and perceived, arise for a variety of reasons including:

- failure of training institutions to produce an adequate supply of skilled workers in certain areas;
- unpredicted demand for particular skills;
- refusal or failure of an employer to undertake required training of employees;
- restrictions in collective agreements to entry to apprenticeship;
- and inaccurate job requirements leading to under-estimation of availability of domestic workers.

Not all of these reasons are a function of premarket failures to ensure an adequate supply. For example, in one recent case, a company requested the right to recruit off-shore for workers in which the collective agreement established a permissible ratio of eight to one for journeymen/apprentices. The company had for some time maintained a ratio of twenty-five to one, thus carrying out a reduced level of training.

It is probable that the commencement of several mega projects in the next few years and the rise of new high technology industries will result in an

increase in request for overseas recruitment.* Permission should be made contingent on the employer establishing real need and an Affirmative Action response in order to ensure part of the existing requirement. Any future requirements can be met through increased utilization of designated group members.

D. Development or Adjustment Grants

During the last few years, a number of programs have been implemented at the federal level to promote employment development and to assist with industrial adjustment to economic changes. Tax credit systems and loan guarantees have played a major role in these programs. As outlined in previous sections, there will be an increasing need for government to facilitate changes during the 1980s. Job creation will decrease in importance while employment adjustment will increase. Not only will there be programatic changes, there may also be a movement to direct grant financing of these changes. This may be particularly important for small-to-medium size employers and other companies that lack access to capital workers facing tight cash flow situations. Should this take place, Affirmative Action could be included as a condition of monetary assistance.

*Contradictory evidence has been presented about the availability of skilled workers for mega projects. Those requesting off-shore recruitment indicate problems while others, faced with Affirmative Action requirements, have indicated a surplus of domestic workers.

3. Compliance Regulations and Success

The proposals outlined under policy instruments are the strongest measures available to the government for ensuring the implementation of Affirmative Action. They must be weighed in terms of the negative implications of increased regulation against the positive outcomes both in economic and equity terms. Two points deserve repeating at this time. The first is that requirements for compliance must be backed by remedies or sanctions and a willingness to use them when necessary. The second is that against this harsh necessity is the requirement for government and the Commission to strive to create an atmosphere conducive to Tremblay's condition of "positive compliance" in which employers willingly apply the sophistication of their corporate planning systems to the problem. While many variables make this difficult, not the least being inherent hostility to regulations, such an atmosphere can be created. It will require a well constructed and extensive education program on the potential benefits of the Affirmative Action corporate planning process in terms of the labour market environment in the 1980s. In addition, it must be presented as an integral part of good human resource planning. Finally, in some cases, it will be necessary to provide incentives to employers willing but not necessarily financially able to incur the short and medium-term costs.

INCENTIVE PACKAGES

An incentive approach as a means of encouraging Affirmative Action plans can be a useful labour market instrument. It also has significant

limitations which preclude using incentives as the only or even major tool for influencing demand. This section briefly reviews three potential incentive sources: Targeted Training Funds, Manpower Consultative Service Agreements, and Affirmative Action Agreements. It concludes with a review of the limitations of an incentive approach.

1. Targeted Training Funds

The Commission has been steadily increasing the level of funding for industry-based training through expansion of the Canada Manpower Industry Training Program (CMITP). Funding has grown in both absolute terms, as well as in relative terms to expenditures on institutional-based training. It is expected this trend will continue if not intensify over the next few years.

Such an approach has the distinct advantage of relating training directly to employer requirements and facilitating a training-to-job continuum. The latter characteristics has been shown to be an important element in programs to integrate the disadvantaged into the primary labour market.* While CMITP can not replace institutional based training, it will be extremely important during the next decade as a core tool for upgrading the existing labour force to the requirements of new technology. In addition, new entrants will have to be trained in order to handle the specific technologies of individual industries and companies. It will be impractical and inefficient to move large sectors of the labour force back and forth between employment and institutional training.

*For example, see this author's report, "Evaluation of Programs for Integrating the Disadvantaged Into the Labour Market" prepared for the Manitoba Government in 1976.

Industry-based training, therefore, will be a major instrument for facilitating the economic adjustments outlined at various points in this paper.

Reimbursements of employee salaries and wages already include incentives for training disadvantaged labour force participants. This is accomplished by providing a sliding scale allowing up to 85% subsidy for some groups. Despite these provisions, the impact of the program on women and minorities has been questioned. Problems include employers using the subsidy to obtain cheap labour with employees released once the reimbursement period is complete; special or disadvantaged employees entering employment situations which continue to contain discriminatory systems and practices which affect promotion etc., and the simple failure of employers to take advantage of the extra incentives associated with hiring and training designated group members. For these reasons it may be necessary to rethink how training dollars can be used as an incentive.

Probably the most direct and effective approach would involve targeting CMITP funds (as well as other special program funds such as those allocated for Critical Trade Skills Training) for use only in support of an Affirmative Action. This would mean that funds would be available to an employer implementing an appropriate plan in order to provide training required to meet goals established by that plan. Such an approach has the enormous advantage of ensuring the monies are spent in an environment which is committed to maintaining and increasing designated group employment and which has been thoroughly reviewed for those systems which could impact negatively on ongoing

employment opportunities. It also removes the existing reliance on higher subsidies as the sole incentive for training targeted employees by specifically directing funds to Affirmative Action based training requirements.

2. Manpower Consultative Service (MCS) Agreements

Since 1963 the Commission has jointly funded, with individual employers, manpower consultative service agreements. These agreements result in tripartite planning involving the Commission, the employer and the employees. The money committed by the agreement and the company is used to finance the planning, including a paid chairperson, administrative costs and, in some cases, research costs. Such agreements have usually been negotiated to meet the needs of existing or predicted extraordinary situations facing the employer and his/her employees. These have included large lay-offs, large new labour requirements and complete shutdowns. Since 1974, the basis of MCS agreements have been broadened to include the development of human resource management capabilities in the participating company.

In two existing MCS agreements, Affirmation Action has been included in the mandate of the committee. The chairperson of the first signed agreement has attended Commission-sponsored Affirmative Action training and both employers are using the committee resources to initiate the employee/systems audit and plan development stages. It should be a policy of the Commission to encourage inclusion of such initiatives in future agreements. At present, this represents the only direct shared cost funding available to offset the costs of developing a plan.

3. Affirmative Action Agreements

As outlined in an earlier section, the Commission currently offers a free technical consultative service to companies prepared to develop a plan. This service was originally designed to provide relatively intensive consultation to a limited number of companies. Thus, it was expected that consultants would play a significant role in terms of carrying out the necessary work. The Commission's ability to continue to deliver this level of service as an increasing number of employers undertake the Affirmative Action corporate planning process will be in doubt.

Consideration, therefore, should be given to establishing the capability to underwrite all or part of the costs of the development phase of the planning period. This would permit the employer to contract or hire staff required to audit employee data and employment systems and to develop an appropriate plan. The role of the Commission consultant would be to advise and ensure the technical integrity of the work being done under the terms of the agreement.

Affirmative Action funding arrangements need not be applied universally to all agreements but could be used as an incentive for smaller firms or companies facing financial constraints. In some cases, MCS and Affirmative Action funding could be coupled under a single agreement. For some firms, the opportunity to rationalize or develop their employment planning capabilities with grant funding will prove to be a strong incentive.

THE LIMITS OF INCENTIVES

The overwhelming advantage of an incentive approach is its avoidance of mandatory compliance and imposed regulation. While conditions are attached to the benefit received, the employer voluntarily assumes these constraints in order to receive the benefit. But there are also severe limitations on the potential impact of incentives.

An incentive works best when the combination of the perceived positive return to action plus the offered incentive to act is greater than the perceived cost of acting. Current experience suggests that from an employer's corporate point of view the "costs" of implementing Affirmative Action (including opportunity costs and attitudinal beliefs) outweigh the "returns". Additionally, the gap between costs and benefits is perceived to be quite substantial to many employers.* If such is the case, the level of financial incentive required may prove to be prohibitive.**

In some cases, the incentive may be adequate to provide a positive outcome to the equation. Particularly, this may result when the incentive for

* See results of the Affirmative Action Study commissioned by the Affirmative Action Division, CEIC, 1979-80. There were no indications that the employers interviewed perceived corporate benefits to implementing Affirmative Action.

**This may be particularly true for large companies. For example, a large international firm establishing a new operation in Winnipeg was eligible for approximately \$50,000 in CMITP funds. The Company financed all the training itself simply because the perceived paperwork was considered too burdensome, i.e., the "cost" of using the program was considered greater than the financial "benefits".

Affirmative Action is based on the availability of funds from another program such as training. For example the aerospace and shipbuilding industries utilize substantial sums of training dollars. The problem, however, is that the benefits are viewed in terms of training and the costs in terms of Affirmative Action. The result is that the Affirmative Action requirement is in fact viewed as an imposed regulation.

Finally, it may be very difficult to assess the impact of the incentive. Answering the question of whether the employer acted because of the incentive or simply took advantage of the offer while intending to act anyway, is very difficult to evaluate. The Tax Credit Program, for example, may not have increased employment because employers making claims against the credit were already committed to increasing their labour force. When resources are limited, it is crucial to be able to assess the incentives' real impact.

The conclusion must be that incentives can play a positive role but government resources and the perceptions of the crucial decision-makers in companies* will limit their effectiveness. If the benefits of Affirmative Action can be more effectively marketed, incentives may provide the necessary extra to trigger action.

*It has been the experience of Affirmative Action consultants that these may well be the personnel/human resource managers rather than senior executives.

CONCLUSION

The starting principle of effective problem solving is the requirement to determine if there is indeed a problem and if so what outcomes must be changed. This paper has argued that there is a problem with labour market equity and this is reflected in disparate outcomes for various social groups in terms of unemployment rates, occupational status and consequent income levels. The second principle is the requirement to peel back the layers of causes and effects to determine what is the core nature of the problem. Finally, successful problem solving requires the development of remedies designed to remove these causes in a way which will directly impact on the outcomes identified as problematic. At the same time, a successful remedy will not create new problems that will negatively affect other significant goals of the problem solver/ decision-maker. This paper has argued that the Affirmative Action corporate planning process is such a remedy.

The conclusion outlined above resulted in a lengthy summarization of potential labour market policies designed to restructure demand in order to ensure an equitable distribution of jobs. This summary included corrective actions to both provide necessary tools and to ensure maximum efficiency of existing and future initiatives; policy instruments designed to ensure implementation of the process by employers; and incentive programs to both encourage and assist these employers requiring financial aid. These initiatives cannot be viewed in isolation from each other. Implementation, therefore, should be considered under two general frameworks for intervention. These are Contract Compliance/Canada Labour Code and Human Resource Planning Agreements.

The first involves proceeding with the development of a compliance mechanism to be applied to selected government contractors and to employers under the jurisdiction of the Canada Labour Code. This will require legislative action for the latter and it is recommended that a statutory contract approach - again requiring legislative action - be used for the former. The establishment of a policy/regulation development and monitoring mechanism will be necessary.

The second framework will require inserting Affirmative Action as a non-negotiable integral aspect of the Commission's emerging emphasis on Human Resource Planning Agreements. By mainstreaming Affirmative Action, the various program elements of policy and incentive initiatives can be effectively and efficiently organized and applied as part of an overall cohesive strategy. This will assist in avoiding many of the conflicts in goals which result from only loosely coordinated Commission labour market programs.

Finally, an integrated approach will assist in the process of modifying programs relating to the supply side of the market. As adjustments are made to ensure Commission programs respond to trends identified through human resource planning, the specific requirements of Affirmative Action will be an inseparable consideration.

These recommendations will have to be reflected in both policy and organizational changes. If made, the Affirmative Action approach can play a major role in achieving equity in the labour market while at the same time helping rather than hindering the difficult process of adjusting to the changes required in the 1980s.

B I B L I O G R A P H Y

B I B L I O G R A P H Y

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